

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

DIGBY ADLER GROUP LLC,)	Case No. 10-cv-00617-SC
)	
Plaintiff,)	ORDER ON CROSS MOTIONS FOR
)	<u>SUMMARY JUDGMENT</u>
v.)	
)	
IMAGE RENT A CAR, INC., et al.,)	
)	
Defendants.)	
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I. INTRODUCTION

Now before the Court are two motions for summary judgment. One is brought by Plaintiff Digby Adler Group, LLC. ECF No. 122 ("Pl.'s Mot."). The other is brought by Defendant Gad Sebag. ECF No. 134 ("Sebag Mot."). Both motions are fully briefed,¹ and the Court deems them suitable for disposition without oral argument pursuant to Civil Local Rule 7-1(b). For the reasons set forth below, Plaintiff Digby Adler Group, LLC's motion for summary

¹ ECF Nos. 128 ("Defs.' Opp'n"), 135 ("Pl.'s Reply"), 142 ("Pl.'s Opp'n"), 144 ("Sebag Reply").

1 judgment is GRANTED in part and DENIED in part, and Defendant Gad
2 Sebag's motion for summary judgment is DENIED.

3
4 **II. BACKGROUND**

5 **A. Factual Background**

6 Plaintiff Digby Adler Group, LLC ("Digby") has operated a van
7 rental service under the name Bandago, LLC ("Bandago") through its
8 website, bandago.com, since 2003. ECF No. 124 ("Laguana Decl.") ¶¶
9 1-2. On August 31, 2010, the United States Patent and Trademark
10 Office ("PTO") issued federal trademark registration number 3839689
11 to Digby for the BANDAGO mark. ECF No. 123 ("Rosenfeld Decl.") Ex.
12 18.

13 The defendants in this matter are two individuals -- Gad Sebag
14 and Schneior Zilberman -- and two companies -- Image Rent A Car,
15 Inc. ("Image") and Van Rental Co., Inc. ("Van") (Van and Image will
16 be referred to collectively as the "Corporate Defendants"). Mr.
17 Zilberman operated a third rental car company called Adir Rent A
18 Car, Inc., from 1996 through 2004. ECF No. 129 ("Zilberman Decl.")
19 ¶¶ 3-8. Adir folded in 2004, when a dispute with the car
20 dealership that supplied its inventory resulted in the supplier
21 refusing to let Adir use its cars. Id. ¶¶ 6-8. Mr. Zilberman's
22 personal finances and credit were seriously damaged in the process.
23 Id. ¶ 9. So Mr. Zilberman approached Mr. Sebag -- his brother-in-
24 law -- asking for financial assistance to start a new company. Id.
25 ¶ 9. Mr. Sebag agreed to form a rental car company, serve as its
26 CEO, loan money to the company, and allow Mr. Zilberman to use his
27 credit rating to obtain cars. ECF No. 130 ("Sebag Decl. I") ¶¶ 7,
28 9). However, according to both Mr. Sebag and Mr. Zilberman, Mr.

1 Zilberman alone would control all of the company's operations.

2 Id.; Zilberman Decl. ¶¶ 14, 17-19.

3 In October 2004, Defendant Image Rent A Car, Inc. ("Image")
4 was incorporated under the law of New York State. ECF No. 21-4
5 ("Sebag Decl. II") at 1. Mr. Sebag filed for incorporation and was
6 the company's CEO (though the corporate record kept by the New York
7 Department of State reflects the name "Gao Sebaf") and sole
8 shareholder; he also described Image as "my company." ECF No. 137
9 Ex. 13 at 16²; Rosenfeld Decl. Exs. 16, 42 at 14:3-11 (Sebag "owned
10 and initiated [Image and Van]"), 44 at 30:10-13. Defendant Shneior
11 Zilberman served as Image's general manager. Id. Ex. 2 at 1.
12 Image operated a car and van rental service primarily in New York,
13 though it also had offices in Florida. Id. Image marketed its
14 rental service through its website, imagerentacar.com. Id. Exs. 4-
15 5 at Responses 19-20. Image's bylaws were simply blank form
16 bylaws, without even the name of the corporation filled in. ECF
17 No. 137 Ex. 13 at 17-66. Though the bylaws require a board of
18 directors with at least three directors, Image never had a board of
19 directors. Id. Ex. 13 at 2. Nor do Image's records indicate that
20 it ever held shareholder meetings or keep corporate minutes. Id.
21 Ex. 13 at 2, 15-66.

22 Defendant Van Rental Co., Inc. ("Van") was incorporated under
23 the law of New York State in July 2007. Rosenfeld Decl.d. Ex. 17.

24
25 ² Plaintiff's initial filing of the Rosenfeld Declaration (ECF No.
26 123) included an exhibit that failed to redact certain personal
27 information. Pursuant to the Court's order, the initial filing
28 was expunged from the record and replaced with a properly redacted
version. See ECF Nos. 138, 141. As a result, exhibits 11-13 of
the Rosenfeld Declaration have a different electronic court filing
number than the other 56 exhibits.

1 Initially founded with the objective of expanding Image's business
2 into new areas, Van was defunct almost from the start and never
3 actually operated. Id. Ex. 42 at 4:6-19, 5:6-12. Mr. Sebag was
4 Van's CEO and sole shareholder. Id. Exs. 1 at 1, 42 at 14:3-11.
5 Mr. Zilberman, who served as Van's president, recalls that Van
6 either owned "none or very few" vehicles. See Id. Exs. 26 at 3,
7 42:14-19. Van's finances were run through Image, and the two
8 companies operated essentially as one entity. Rosenfeld Decl. Ex.
9 42 at 8:14-18, 10:3-4.

10 In August of 2008, Van registered the domain name bandago.net
11 (recall that Digby's website was bandago.com). Id. Ex. 7 at 6; Ex.
12 31. Though the account with the domain registrar listed Van as the
13 owner, the contact email address supplied was
14 info@imagerentacar.com. Id. Ex. 31 at 3. There was no website at
15 bandago.net; the site simply redirected visitors to Image's
16 website. Sebag Decl. II at 2. In addition to registering the
17 bandago.com domain, Defendants bid on the Google AdWords search
18 terms "bandago," "bandago van rental," and "bandago van rentals"
19 (the "Bandago Search Terms"). Rosenfeld Decl. Ex. 23. Google
20 AdWords is a service that lets customers bid on certain search
21 terms, so that the customer's website will show up as advertisement
22 when Google visitors search for those terms. Defendants paid for
23 advertisements that would direct users to Image's website when they
24 searched for the Bandago Search Terms. Id. Ex. 24. The Google
25 AdWords account was registered in Mr. Sebag's name, but Mr.
26 Zilberman operated the account. Id. Exs. 9 at 2, 35.

27 On July 1, 2007, Digby's CEO, Sharky Laguana, created content
28 for the Bandago website. The text on the website described

1 Bandago's vans and rental services. Laguana Decl. ¶ 11, Ex. 3.
2 Digby applied for a copyright registration to cover the text of the
3 website, and the PTO granted the registration on January 31, 2011.
4 Rosenfeld Decl. Exs. 19-20. Virtually identical text (sometimes
5 modified very slightly to reflect Image's name and locations)
6 appeared on Image's website. See id. Exs. 52-59.

7 On April 27, 2010, Philippe Naim (Mr. Sebag's uncle) formed a
8 corporation called Group Travel Solution, Inc. ("GTS"). Id. Exs.
9 49 at 8:6-23; 60. Mr. Naim recalls that GTS purchased Image's
10 assets, including vehicles, phones, and websites. Id. Ex. 49 at
11 9:2-4. He does not recall exactly how many vehicles GTS purchased,
12 but guesses that the number was "[b]etween fifty and sixty." Id.
13 at 9:5-11. Digby asserts that GTS purchased 78 cars for one dollar
14 each. See Pl.'s Mot. at 10. In support, Digby cites to GTS' 2010
15 tax returns -- a 39-page exhibit -- with no pincite or explanation.
16 But those returns indicate only that GTS owned some large number of
17 vehicles, and the tax returns do not indicate the vehicles' source
18 or sources. See Rosenfeld Decl. Ex. 50 (filed under seal) at 11,
19 16-19, 22-27, 37-38. GTS' tax returns do, however, reflect the
20 sale of 20 of the vehicles, and the sale prices and proceeds show
21 that each was originally acquired for \$1. See id. at 11, 24-27.
22 On March 24, 2011, Van and Image filed for bankruptcy. Id. Exs.
23 25-26.

24 **B. Procedural History**

25 This case was filed on February 11, 2010. See ECF No. 1
26 ("Compl."). The transfer of assets described above therefore took
27 place after the filing of this lawsuit but before Van and Image
28 declared bankruptcy. When the Corporate Defendants filed for

1 bankruptcy, the Court stayed this case pending the outcome of the
2 bankruptcy proceedings. See ECF No. 90 ("Stay Order"). On May 23,
3 2014, the bankruptcy court dismissed both bankruptcy proceedings.
4 See ECF No. 96 Exs. A-B. On June 16, 2014, the Court granted
5 Digby's unopposed motion to lift the stay. See ECF No. 97. Digby
6 then moved for summary judgment, alleging that Mr. Sebag and Mr.
7 Zilberman are personally liable for Van and Image's actions because
8 all defendants are alter egos of one another and because officers
9 and directors of a corporation are liable for torts they authorize
10 or in which they participate. Pl.'s Mot. at 19-21.

11 Defendants opposed the motion, but they conceded that the
12 Corporate Defendants are liable for trademark and copyright
13 infringement. They also concede two of the elements of
14 cybersquatting. See Defs.' Opp'n at 1. However, Defendants argue
15 that Mr. Sebag and Mr. Zilberman are not alter egos of Van or Image
16 and that Mr. Sebag is not personally liable as an officer or
17 director. Mr. Sebag then moved for summary judgment on the grounds
18 that he cannot be held liable for the Corporate Defendants'
19 actions. See Sebag Mot.

20 21 **III. LEGAL STANDARD**

22 Entry of summary judgment is proper "if the movant shows that
23 there is no genuine dispute as to any material fact and the movant
24 is entitled to judgment as a matter of law." Fed. R. Civ. P.
25 56(a). Summary judgment should be granted if the evidence would
26 require a directed verdict for the moving party. Anderson v.
27 Liberty Lobby, Inc., 477 U.S. 242, 251 (1986). The moving party
28 bears the initial burdens of production and persuasion. Nissan

1 Fire & Marine Ins. Co., Ltd. v. Fritz Cos., Inc., 210 F.3d 1099,
2 1102 (9th Cir. 2000).

3
4 **IV. DISCUSSION**

5 The Court begins with a discussion of the Corporate
6 Defendants' liability, and then proceeds to analyze whether Mr.
7 Sebag or Mr. Zilberman may be held liable for the Corporate
8 Defendants' actions.

9 **A. The Corporate Defendants**

10 Defendants do not vigorously contest the allegations against
11 the Corporate Defendants. In fact, Defendants concede liability as
12 to the trademark infringement and copyright infringement claims.
13 Defendants also concede that two of the three elements of Digby's
14 cybersquatting claim are met, but they contest the third. The
15 Court examines each cause of action in turn.

16 **1. Trademark Infringement**

17 "To establish a trademark infringement claim . . . , [Digby]
18 must establish that [Defendants are] using a mark confusingly
19 similar to a valid, protectable trademark of [Digby's]."
20 Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp., 174 F.3d 1036,
21 1046 (9th Cir. 1999). It is undisputed that Digby has registered
22 the Bandago mark. See Rosenfeld Decl. Ex. 18. Digby's
23 "registration of the mark on the Principal Register in the Patent
24 and Trademark Office constitutes prima facie evidence of the
25 validity of the registered mark and of [Digby's] exclusive right to
26 use the mark on the goods and services specified in the
27 registration." Id. at 1047. Digby asserts that Defendants'
28 registration of the bandago.net domain and bids on the Bandago-

1 related Google AdWords constitute use of the Bandago mark.
2 Defendants do not dispute that Van and Image's conduct constitute
3 trademark infringement; in fact, Defendants concede that Van and
4 Image are liable for infringement of Digby's mark. See Defs.'
5 Opp'n at 1, 11-12. Accordingly, the Court finds Van and Image
6 liable for trademark infringement. Digby's motion is GRANTED with
7 respect to the allegations that Van and Image infringed upon
8 Digby's trademark.

9 **2. Copyright Infringement**

10 "A plaintiff who claims copyright infringement must show: (1)
11 ownership of a valid copyright; and (2) that the defendant violated
12 the copyright owner's exclusive rights under the Copyright Act."
13 Ellison v. Robertson, 357 F.3d 1072, 1076 (9th Cir. 2004). "A
14 copyright registration is 'prima facie evidence of the validity of
15 the copyright and the facts stated in the certificate.'" United
16 Fabrics Int'l, Inc. v. C&J Wear, Inc., 630 F.3d 1255, 1257 (9th
17 Cir. 2011) (quoting 17 U.S.C. § 410(c)). It is undisputed that
18 Digby has a registered copyright for the text of the bandago.com
19 website. See Rosenfeld Decl. Exs. 19-20. It is also undisputed
20 that the Corporate Defendants used language copied almost verbatim
21 from Digby's website on the Image website (though they did so
22 before the copyright was registered). See id. Exs. 52-59. Once
23 again, Defendants concede that Van and Image infringed upon Digby's
24 copyright. See Defs.' Opp'n at 1, 11-12. The Court finds Van and
25 Image liable for copyright infringement. Digby's motion for
26 summary judgment is GRANTED with respect to the allegations that
27 Van and Image infringed upon Digby's copyright.

28 ///

3. Cybersquatting

"The Anti-Cybersquatting Consumer Protection Act ["ACPA"] establishes civil liability for 'cyberpiracy' where a plaintiff proves that (1) the defendant registered, trafficked in, or used a domain name; (2) the domain name is identical or confusingly similar to a protected mark owned by the plaintiff; and (3) the defendant acted 'with bad faith intent to profit from that mark.'" DSPT Int'l, Inc. v. Nahum, 624 F.3d 1213, 1218-19 (9th Cir. 2010). Digby alleges that (1) Defendants registered and used the bandago.net domain name; (2) the bandago.net domain name is identical to the Bandago mark; and (3) that Defendants acted with bad faith intent to profit from that mark.

With respect to the cybersquatting claim, Defendants concede the first two elements: they admit that Van and Image registered the bandago.net domain name and that "bandago.net" is identical to Digby's Bandago mark. See Defs.' Opp'n at 9. However, Defendants allege that there is a genuine dispute of material fact regarding the bad faith requirement. The ACPA sets out nine factors to consider in determining whether an alleged cybersquatter acted in bad faith. 15 U.S.C. § 1125(d)(1)(B)(i). But because the ACPA factors are permissive and not exhaustive, the Ninth Circuit has emphasized that courts "need not, however, march through the nine factors seriatim [I]nstead, the most important grounds for finding bad faith are the unique circumstances of the case" Lahoti v. VeriCheck, Inc., 586 F.3d 1190, 1202 (9th Cir. 2009).

Nonetheless, the parties both discuss the ACPA factors, so it seems appropriate to begin the discussion there. Some of the factors are uncontroversial: it is undisputed, for example, that

1 Defendants have no intellectual property rights to the Bandago
2 mark, that bandago.net does not consist of Defendants' legal name,
3 that Defendants never used the domain name in connection with the
4 bona fide offering of any goods or services, and that Defendants
5 never engaged in a bona fide noncommercial use of the mark in a
6 site accessible under the domain name. More importantly, it is
7 clear that Defendants intended to divert consumers from Digby's
8 website. Digby has shown that Defendants registered the
9 bandago.net domain name -- which Defendants acknowledge is
10 identical to Digby's Bandago mark -- and set up that domain to
11 redirect to Defendants' own website. Because Digby and Image were
12 competing van rental companies, it is evident that this was an
13 attempt to divert Digby's business. Sebag Decl. II at 2.
14 Defendants do not contest this factor in their opposition brief.
15 See Defs.' Opp'n at 10-11. Those factors, therefore, favor Digby.
16 On the other hand, it also undisputed that Defendants never offered
17 to sell or transfer the domain to Digby, so that factor favors
18 Defendants. The parties dispute the remaining factors, so the
19 Court will address each in turn.

20 The seventh bad faith factor is provision of misleading or
21 false contact information. The bandago.net domain was registered
22 to Van. Rosenfeld Decl. Ex. 31. Digby argues that Van was a
23 fictitious entity designed only to shield Image from liability, and
24 so the contact information was misleading because it concealed
25 Image's involvement, even though it provided Image's true phone
26 number, email, and address. See Digby Mot. at 14. However, Digby
27 cites no authority in support of that interpretation of
28 "misleading." Defendants emphasize that Van used its actual

1 address. See Defs.' Opp'n at 10. Indeed, given that Digby
2 previously argued that Van and Image shared a physical address,
3 phone numbers, and email addresses, see Digby Mot. at 7, it seems
4 that little concealment was actually involved. If this factor
5 favors Digby at all, the Court assigns it very little weight.

6 The eighth bad faith factor is Defendants' registration of
7 multiple domain names confusingly similar to others' marks. Here,
8 Digby points out that Defendants registered the domains
9 whizzcarhire.com and albacarhire.com, which are similar to other
10 car rental companies' internet domains. See Digby Mot. at 14-15.
11 Defendants respond that Whizz Car appears to be located in
12 Singapore, Alba Car appears to be located in Spain, and that
13 Plaintiffs have provided no evidence that either company existed
14 when Defendants registered those domains. Again, the Court finds
15 that this factor is not terribly persuasive in this situation.

16 The ninth bad faith factor is the extent to which the mark at
17 issue is or is not distinctive and famous. Defendants apparently
18 acknowledge that the Bandago mark is distinctive, but they contest
19 whether it is famous. See Defs.' Opp'n at 11. Once more, this
20 factor is not very persuasive for either side.

21 Ultimately, the statutory factors are not hugely helpful in
22 making a bad faith determination in this case, except for the
23 intentional diversion factor. Five of the factors undeniably favor
24 Digby; the sixth favors Defendants; and the last three are either
25 neutral or not very important given the facts of this case. The
26 Court finds that the most important factor in this case is the
27 fifth: that Defendants intended to divert consumers from Digby's
28 website. Combined with the first four factors, which establish

1 that Defendants had no legitimate interest in using the Bandago
2 mark, the intent to divert consumers is a powerful indication of
3 Defendants' bad faith. However, that does not end the inquiry, as
4 it is the broader circumstances of this case that finally resolve
5 the issue.

6 In the cybersquatting context, the Ninth Circuit has held that
7 the unique circumstances of the case are the most important
8 consideration in determining bad faith. The most persuasive facts
9 in this case are that Defendants not only registered a domain name
10 that they admit was identical to the Bandago mark, but they bid on
11 Google AdWords to redirect consumers to the Image website. That
12 is, Defendants were not content merely to redirect visitors who
13 accidentally typed "bandago.net" instead of "bandago.com" into their
14 browsers. Instead, Defendants actively attempted to manipulate
15 search engines to show the Image website as a result when consumers
16 searched for "bandago" and related terms. It is hard to understand
17 why Defendants would want to do that, unless they intended to use
18 the Bandago mark to generate business for themselves. Indeed,
19 Defendants offer no alternative explanation. Given these facts,
20 the Court finds that there is only one reasonable interpretation of
21 the evidence: Defendants acted in bad faith because they registered
22 the bandago.net domain solely to take advantage of Digby's
23 goodwill, reputation, and name recognition in the Bandago mark.

24 Because the Court finds that Defendants acted with the bad
25 faith intent to profit from Digby's mark, all three elements of
26 cybersquatting are satisfied. The Court finds that Van and Image
27 are liable for cybersquatting. Digby's motion for summary judgment
28 is GRANTED with respect to the allegations of cybersquatting by Van

1 and Image.

2 **B. The Individual Defendants**

3 Digby asserts that Mr. Zilberman and Mr. Sebag are both
4 personally liable for the torts committed by the Corporate
5 Defendants. Digby alleges that Mr. Zilberman and Mr. Sebag may be
6 held liable directly and via an alter ego theory. Defendants
7 concede that Mr. Zilberman may be personally liable for the
8 Corporate Defendants' torts, but they contest Mr. Sebag's
9 responsibility.³ In fact, Mr. Sebag's personal liability is the
10 subject of Defendants' own motion for summary judgment.

11 **1. Schneior Zilberman**

12 "A corporate officer or director is, in general, personally
13 liable for all torts which he authorizes or directs or in which he
14 participates, notwithstanding that he acted as an agent of the
15 corporation and not on his own behalf." Transgo, Inc. v. Ajac
16 Transmission Parts Corp., 768 F.2d 1001, 1021 (9th Cir. 1985)
17 (internal quotation marks omitted). The parties agree that this
18 principle extends to copyright and trademark infringement claims.
19 See Digby Mot. at 20; Defs.' Opp'n at 12; see also Foreverendeavor
20 Music, Inc. v. S.M.B., Inc., 701 F. Supp. 791, 793-94 (W.D. Wash.
21 1988) (president of corporation liable for corporation's
22 infringement because he was "the dominant influence" in the

23 _____
24 ³ Defendants apparently concede Mr. Zilberman's liability as an
25 officer involved in the Corporate Defendants' torts, but they
26 contest his liability as an alter ego. Compare Defs.' Opp'n at 12
27 ("Defendants concede that Zilberman personally participated in the
28 events leading to the domain registration.") and 13 ("Zilberman was
solely responsible for Image's advertising and marketing, and
solely responsible for Image's website"), with Defs.' Opp'n at 16
("Defendants respectfully submit that disputed issues of fact exist
as to whether Image or Van are Zilberman's alter egos.").

1 corporation); Polo Fashions, Inc. v. Branded Apparel Merch., Inc.,
2 592 F. Supp. 648, 652 (D. Mass. 1984) (officer individually liable
3 because he was a "moving, active conscious force behind" the
4 corporation's infringement").

5 Defendants acknowledge that Mr. Zilberman was responsible for
6 the registration of the bandago.net domain name and that Mr.
7 Zilberman was "solely responsible for Image's advertising and
8 marketing," managed Image and Van's website and internet accounts,
9 and ran Image and Van's day-to-day operations. See Defs.' Opp'n at
10 12-13; Zilberman Decl. ¶¶ 14, 17-19. Mr. Zilberman admits that he
11 "personally participated in the events leading to the domain
12 registration." Id. at 12. Mr. Zilberman also says that he "was
13 responsible for Image's day-to-day operations, its management, and
14 supervising employees." Zilberman Decl. ¶ 15. Defendants do not
15 explicitly concede Mr. Zilberman's liability (as they do for Van
16 and Image), but these admissions are sufficient for the Court to
17 find that Mr. Zilberman directed and participated in the torts
18 committed by Image and Van. As a result, the Court finds that Mr.
19 Zilberman is liable on the copyright infringement, trademark
20 infringement, and cybersquatting causes of action described above.
21 Digby's motion for summary judgment is GRANTED with respect to Mr.
22 Zilberman's liability. Because the Court finds that Mr. Zilberman
23 is directly liable for these torts, the Court need not reach the
24 issue of Mr. Zilberman's alter ego liability.

25 2. Gad Sebag

26 Mr. Sebag's liability is contested. Digby claims that he is
27 liable both as a direct participant in the various torts alleged
28 and that Van and Image's liability can be imputed to him because

1 the Corporate Defendants are Mr. Sebag's alter egos.

2 **i. Direct Liability**

3 Digby argues that Mr. Sebag must have directed or participated
4 in the Corporate Defendants' torts because he incorporated both Van
5 and Image, was the sole shareholder of both companies, and was
6 Van's only officer and employee. Reply at 3. Mr. Sebag's personal
7 credit card was also used to register the bandago.net domain name,
8 and Mr. Sebag was listed as the account holder for the Corporate
9 Defendants' Google AdWords accounts. Id. Mr. Sebag counters that
10 he was barely involved in either corporation. He recounts that Mr.
11 Zilberman (his brother-in-law) came to him for help, and he agreed
12 to let Mr. Zilberman form and operate the corporations under his
13 name and use his credit. Mr. Sebag says he did so to help a family
14 member, and that Mr. Zilberman needed his help because Mr. Sebag
15 had funds and better credit. Sebag Decl. I ¶¶ 6-7. Mr. Sebag
16 recalls signing certain incorporation documents and loaning money
17 to Image, but says that he "did not have any role" in "Image's
18 management or operations." Id. ¶ 11. Mr. Zilberman's testimony
19 corroborates this: he testifies that he, and not Mr. Zilberman,
20 managed both Image and Van. Zilberman Decl. ¶¶ 14, 17-19.
21 According to Mr. Zilberman, Mr. Sebag was only involved in the
22 companies when his signature was required for something, which was
23 "rare." Id. ¶ 16. Mr. Sebag never received a salary or any other
24 type of compensation from Image. Id. ¶ 15.

25 Digby asserts that Mr. Sebag's declaration is a self-serving
26 declaration that contradicts his earlier statements and documentary
27 evidence. The Court disagrees. Mr. Sebag's declaration does not
28 contradict any of the evidence Digby has presented. If it is true

1 that Mr. Sebag entrusted Mr. Zilberman to use Mr. Sebag's name to
2 found Image and Van, then it makes sense that Image and Van were
3 incorporated under Mr. Sebag's name and used his name for their
4 accounts. If Mr. Sebag had contradicted his prior deposition
5 testimony, then the Court might have found his declaration to be a
6 sham. See Kennedy v. Allied Mut. Ins. Co., 952 F.2d 262, 266 (9th
7 Cir. 1991) ("The general rule in the Ninth Circuit is that a party
8 cannot create an issue of fact by an affidavit contradicting his
9 prior deposition testimony."). Rejecting Mr. Sebag's declaration
10 in this manner requires a factual finding that the contradiction
11 actually was a sham. Id. at 267. The Court cannot make such a
12 finding here, and therefore cannot strike Mr. Sebag's declaration
13 as a sham. It is, therefore, inappropriate for the Court to make
14 credibility determinations or to draw from the evidence inferences
15 adverse to Defendants. See His & Her Corp. v. Shake-N-Go Fashion,
16 Inc., 572 F. App'x 517, 518 (9th Cir. 2014) ("In resolving summary
17 judgment motions, a court must not weigh the evidence, make
18 credibility determinations, or draw inferences from the facts
19 adverse to the non-moving party.").

20 Because the Court cannot discount Mr. Sebag's declaration, the
21 evidence provides for at least two reasonable interpretations of
22 the facts. A trier of fact could select either depending on the
23 credibility it assigns to Mr. Sebag and Mr. Zilberman's statements.
24 If the trier of fact believed Mr. Sebag and Mr. Zilberman, then it
25 could find that Mr. Sebag did not direct or participate in any of
26 the Corporate Defendants' torts. In that scenario, Mr. Sebag would
27 not be directly liable. On the other hand, a trier of fact could
28 also reasonably discount Mr. Sebag and Mr. Zilberman's testimony

1 and find that the documentary evidence indicates that Mr. Sebag had
2 a much larger role in Image and Van than he admits. It would
3 certainly be possible for the trier of fact to infer from the
4 documentary evidence that Mr. Sebag was heavily involved in the
5 management and operation of the Corporate Defendants. In that
6 case, Mr. Sebag might be held liable for Image and Van's torts as a
7 participant. However, the Court is required to draw inferences
8 from the evidence in favor of the non-moving party. As a result,
9 the Court cannot draw the inferences required to hold Mr. Sebag
10 directly liable. However, nor can the Court weigh the evidence in
11 such a way as to find that Mr. Sebag was not involved in the
12 Corporate Defendants' torts. The Court finds that a genuine
13 dispute of material fact exists as to whether Mr. Sebag was
14 involved in the Corporate Defendants' torts. Both motions for
15 summary judgment are DENIED as to Mr. Sebag's direct liability.

16 **ii. Alter Ego Liability**

17 "The alter ego doctrine arises when a plaintiff comes into
18 court claiming that an opposing party is using the corporate form
19 unjustly and in derogation of the plaintiff's interests. . . In
20 certain circumstances the court will disregard the corporate entity
21 and will hold the individual shareholders liable for the actions of
22 the corporation" Mesler v. Bragg Mgmt. Co., 39 Cal. 3d
23 290, 300, 702 P.2d 601 (Cal. 1985) (internal citation omitted).
24 The parties agree that California law governs the alter ego dispute
25 in this case. See Mot. at 21 n.7; Opp'n at 14-15. There are "two
26 general requirements" for a plaintiff to pierce the corporate veil:
27 "(1) that there be such unity of interest and ownership that the
28 separate personalities of the corporation and the individual no

1 longer exist and (2) that, if the acts are treated as those of the
2 corporation alone, an inequitable result will follow." Id.

3 California courts have developed a long list of factors to
4 consider when deciding whether it is proper to pierce the corporate
5 veil. Those factors are:

6 the commingling of funds and other assets; the failure to
7 segregate funds of the individual and the corporation;
8 the unauthorized diversion of corporate funds to other
9 than corporate purposes; the treatment by an individual
10 of corporate assets as his own; the failure to seek
11 authority to issue stock or issue stock under existing
12 authorization; the representation by an individual that
13 he is personally liable for corporate debts; the failure
14 to maintain adequate corporate minutes or records; the
15 intermingling of the individual and corporate records;
16 the ownership of all the stock by a single individual or
family; the domination or control of the corporation by
the stockholders; the use of a single address for the
individual and the corporation; the inadequacy of the
corporation's capitalization; the use of the corporation
as a mere conduit for an individual's business; the
concealment of the ownership of the corporation; the
disregard of formalities and the failure to maintain
arm's-length transactions with the corporation; and the
attempts to segregate liabilities to the corporation.

17 Mid-Century Ins. Co. v. Gardner, 9 Cal. App. 4th 1205, 1213 n.3
18 (Cal. Ct. App. 1992). However, "[t]his long list of factors is not
19 exhaustive. The enumerated factors may be considered [a]mong others
20 under the particular circumstances of each case." Zoran Corp. v.
21 Chen, 185 Cal. App. 4th 799, 812 (Cal. Ct. App. 2010) (internal
22 quotation marks omitted).

23 Some of the enumerated factors favor Digby, and some favor
24 Defendants. For example, it is undisputed that Van and Image
25 failed to maintain corporate minutes or records, that Mr. Sebag was
26 Image's only shareholder, that Van and Image were inadequately
27 capitalized (they declared bankruptcy shortly after this lawsuit
28 was filed), and that Van and Image completely disregarded corporate

1 formalities. Those factors, therefore, favor a finding that Van
2 and Image were Mr. Sebag's alter egos. On the other hand, there is
3 conflicting evidence regarding control of the corporations by their
4 stockholders: Digby asserts that Mr. Sebag ran both corporations,
5 while Mr. Sebag says he was only nominally involved. Additionally,
6 while there is some evidence that Van may have been a shell
7 corporation to shield Image, there is not much evidence that
8 Defendants tried to conceal Mr. Sebag's involvement in either
9 corporation.

10 When considering the facts of this case, the outcome is again
11 heavily dependent on the credibility of Mr. Sebag's and Mr.
12 Zilberman's statements and the inferences drawn from the
13 documentary evidence. If the trier of fact were to find Mr. Sebag
14 and Mr. Zilberman unreliable, it might infer from the documentary
15 evidence that Mr. Sebag was deeply involved in controlling the
16 Corporate Defendants. Such a finding might support a decision that
17 Van and Image truly were Mr. Sebag's alter egos. However, if the
18 trier of fact were to find Mr. Sebag and Mr. Zilberman to be
19 credible, then it would be reasonable to find that there was little
20 unity of interest and ownership between Mr. Sebag and the Corporate
21 Defendants or that it would be equitable to find piercing the
22 corporate veil unnecessary.

23 Digby points out that corporate officers are generally not
24 excused from their responsibilities merely because they consider
25 themselves to be figureheads. See Digby Opp'n at 18-19. That is
26 true, but the cases Digby cites are all in the context of
27 establishing the officer's duties to his company. While Mr. Sebag
28 may have done the Corporate Defendants and their shareholders (in

1 this case, only Mr. Sebag himself) a disservice by failing to
2 fulfill his role as CEO, that failure does not require the Court to
3 overlook his general lack of involvement when determining alter ego
4 liability. Mr. Sebag's neglect of his official duties does not
5 automatically make him an alter ego of Image simply by virtue of
6 the fact that he was the CEO and sole shareholder.

7 Deciding the issue of Mr. Sebag's liability as an alter ego of
8 Image or Van requires drawing inferences from the evidence and
9 weighing the credibility of evidence and witnesses. At this stage,
10 all inferences must be drawn in favor of the non-moving party, and
11 it is inappropriate to determine credibility. Because there are at
12 least two reasonable explanations of the evidence, each of which
13 requires drawing inferences in favor of the moving party or making
14 a credibility determination, it is inappropriate to grant summary
15 judgment for either party on this issue. Both motions for summary
16 judgment are DENIED as to Mr. Sebag's liability as an alter ego for
17 the Corporate Defendants.

18 **C. Damages**

19 Digby seeks statutory damages for its cybersquatting claim and
20 disgorgement of profits for its trademark and copyright
21 infringement claims. See Digby Mot. at 24.

22 **1. Statutory Damages for Cybersquatting**

23 A party that prevails on a claim of cybersquatting may elect
24 to recover "instead of actual damages and profits, an award of
25 statutory damages in the amount of not less than \$1,000 and not
26 more than \$100,000 per domain name, as the court considers just."
27 15 U.S.C. § 1117(d). Digby requests the maximum statutory damages
28 of \$100,000. Digby Mot. at 24. In determining appropriate

1 statutory damages for cybersquatting,

2
3 courts generally consider a number of factors . . .
4 including the egregiousness or willfulness of the
5 defendant's cybersquatting, the defendant's use of false
6 contact information to conceal its infringing activities,
7 the defendant's status as a "serial" cybersquatter --
i.e., one who has engaged in a pattern of registering and
using a multitude of domain names that infringe the
rights of other parties -- and other behavior by the
defendant evidencing an attitude of contempt towards the
court or the proceedings.

8 Verizon Cal. Inc. v. Onlinenic, Inc., C 08-2832 JF (RS), 2009 WL
9 2706393 (N.D. Cal. Aug. 25, 2009). Courts in similar cases have
10 awarded a range of damages.⁴

11 In this case, the Court has found that Defendants'
12 cybersquatting was willful and, if not egregious, certainly more
13 pernicious than simply registering a suspiciously similar domain
14 name. However, the evidence of false contact information and
15 Defendants' status as "serial cybersquatters" is decidedly mixed.
16 There is no evidence of an attitude of contempt toward the court or
17 proceedings. In a recent cybersquatting case, the undersigned
18 awarded \$50,000 in statutory damages where there was powerful
19 evidence of the defendant's bad faith and status as a serial
20 cybersquatter, and where the defendant had shown contempt for the

21
22 ⁴ See, e.g., Partners for Health & Home, L.P. v. Yang, 488 B.R. 109
23 (C.D. Cal. 2012) (awarding \$25,000 for domain through which
24 defendant had sold products willfully infringing on plaintiff's
25 trademarks); Wecosign, Inc. v. IFG Holdings, Inc., 845 F. Supp. 2d
26 1072, 1085-87 (C.D. Cal. 2012) (awarding \$50,000 where defendant
27 had provided false contact information to the domain registrar but
28 no other factors were present); Verizon Cal. Inc. v. Onlinenic, Inc., C 08-2832 JF (RS), 2009 WL 2706393 (N.D. Cal. Aug. 25, 2009) (awarding \$50,000 per violation where all four factors were present); Citigroup, Inc. v. Shui, 611 F. Supp. 2d 507, 513 (E.D. Va. 2009) (awarding \$100,000 where defendant's use of the domain was "sufficiently willful, deliberate, and performed in bad faith").

1 Court by refusing to appear or respond to summonses. See Ploom,
 2 Inc. v. iPloom, LLC, No. 13-CV-05813 SC, 2014 WL 1942218, at *7-8
 3 (N.D. Cal. May 12, 2014). Here, the Court finds that an award of
 4 \$25,000 appropriately captures the egregiousness of Defendants'
 5 violation of the law.

6 **2. Actual Damages for Trademark and Copyright**

7 **Infringement**

8 Both the Lanham Act and the Copyright Act permit a prevailing
 9 plaintiff to recover the defendant's profits. See 15 U.S.C. §
 10 1117(a); 17 U.S.C. § 504(b).⁵ In the copyright context, "the

11 ⁵ Defendants argue briefly that that Digby must elect between
 12 statutory and actual damages because Digby's claims are based on
 13 the same underlying conduct. In support they cite a single
 14 unreported case from this District, in which the court declined to
 15 award both statutory and actual damages. However, the court
 16 emphasized that the decision was discretionary. See Media Lab,
 17 Inc. v. Collis, No. C08-04732 HRL, 2010 WL 3893582, at *6 (N.D.
 18 Cal. Sept. 30, 2010). Digby responds by pointing to a number of
 19 out-of-district cases in which courts held that the ACPA permits an
 20 award of both statutory and actual damages. See St. Luke's
 21 Cataract & Laser Inst., P.A. v. Sanderson, 573 F.3d 1186, 1204
 22 (11th Cir. 2009) ("Congress, by statute, has prescribed recovery
 23 under the ACPA even if it is duplicative of other damages
 24 awarded."); Wecosign, Inc. v. IFG Holdings, Inc., 845 F. Supp. 2d
 25 1072, 1085 (C.D. Cal. 2012) ("A prevailing plaintiff may recover
 26 statutory damages under this provision in addition to actual
 27 damages for infringement of its trademark."). The Court agrees and
 28 holds that a plaintiff recover both statutory damages for
 cybersquatting and actual damages for trademark or copyright
 infringement. However, it is also true that Defendants' copyright
 violation (the use of text from Digby's website on the Image
 website) arose from different conduct than the trademark and
 cybersquatting claims (registration of the bandago.net domain).
 Digby argues that the trademark claim also arose from different
 conduct than the cybersquatting claim, because the trademark claim
 is based on Defendants' Google AdWords bids, while the
 cybersquatting claim is based on registration of the bandago.net
 domain. Whether bidding on AdWords alone is sufficient to
 establish a trademark violation is a question that the parties have
 not briefed and that is not before the Court. To resolve the
 current case, it is sufficient to hold that Digby may recover both
 statutory damages for cybersquatting and actual damages for the
 same conduct, and that Defendants' copyright infringement arose

1 copyright owner is required to present proof only of the
2 infringer's gross revenue, and the infringer is required to prove
3 his or her deductible expenses and the elements of profit
4 attributable to factors other than the copyrighted work." 17
5 U.S.C. § 504. In the trademark context, "the plaintiff shall be
6 required to prove defendant's sales only; defendant must prove all
7 elements of cost or deduction claimed." 15 U.S.C § 1117(a). The
8 Lanham Act also provides some additional guidance for assessing
9 damages in trademark cases:

10
11 In assessing damages the court may enter judgment,
12 according to the circumstances of the case, for any sum
13 above the amount found as actual damages, not exceeding
14 three times such amount. If the court shall find that the
15 amount of the recovery based on profits is either
16 inadequate or excessive the court may in its discretion
17 enter judgment for such sum as the court shall find to be
18 just, according to the circumstances of the case.

19 Id.

20 "Trademark remedies are guided by tort law principles. . . .
21 As a general rule, damages which result from a tort must be
22 established with reasonable certainty." Lindy Pen Co. v. Bic Pen
23 Corp., 982 F.2d 1400, 1407 (9th Cir. 1993) (internal citations and
24 quotations omitted). Damages "will not be awarded in the absence
25 of credible evidence demonstrating injury to plaintiff resulting
26 from defendant's sales. Damage awards for lost sales and profits
27 may not be based upon the assumption that a trademark infringement
28 resulted in commercial injury." Invicta Plastics (USA) Ltd. v.
Mego Corp., 523 F. Supp. 619, 624 (S.D.N.Y. 1981) (cited in Lindy,
982 F.2d at 1408). Thus Digby must show some evidence of injury as
from different underlying conduct than Defendants' cybersquatting.

1 a result of Defendants' conduct before it can recover Defendants'
2 ill-gotten profits.

3 Digby asserts that Defendants reaped \$3,583,264.00 in revenues
4 between January 2009 and May 2010. See Rosenfeld Decl. Exs. 28-29;
5 Mot at 25. Apparently, that figure was reached simply by adding up
6 every deposit to Defendants' various bank accounts during that
7 period. See Rosenfeld Decl. Ex. 29. Defendants argue that Digby's
8 figures vastly overstate the Corporate Defendants' profits -- in
9 fact, they assert that Van and Image operated at a loss. Defs.'
10 Opp'n at 22-25.

11 It is true that Digby's damages calculations are based on a
12 number of astonishingly unreasonable assumptions. First, Digby
13 assumes that it suffered some commercial injury sufficient to
14 support an award of actual damages. Next, Digby assumes that every
15 deposit in the Corporate Defendants' accounts was a sale or
16 revenue. That is not necessarily the case; for example there is
17 evidence that Mr. Sebag loaned Image over \$200,000. See Digby Mot.
18 at 7. Third, Digby assumes that all of the Corporate Defendants'
19 revenues were attributable to their infringement.⁶ However, while
20 Digby's claimed damages are simply ludicrous in light of the
21 evidence, Defendants are also culpable for the difficulty involved
22 in calculating damages in this case: Image claims it has no profit
23 and loss statements or balance sheets, and Mr. Zilberman indicated
24 that he "might have disposed of" Image's books and records. See

25 ⁶ The law does permit Digby to make this assumption and places the
26 burden of showing the portion of profits not attributable to
27 infringing activity on the defendant. However, the Lanham Act
28 makes clear that principles of equity must guide the Court in
determining damages. The unreasonableness of this assumption is
described in greater detail below.

1 ECF No. 137 Exs. 13 at 11-12; 43 at 65:2-66:8.

2 To succeed on its claim for disgorgement of profits, Digby
3 must provide a reasonably reliable estimate of Defendants' profits
4 from their van rentals. The sum of all deposits to Defendants'
5 bank accounts is insufficient. "The court cannot award profits
6 without any evidentiary basis on which to rest such an award."
7 Louis Vuitton S.A. v. Spencer Handbags Corp., 597 F. Supp. 1186,
8 1190 (E.D.N.Y. 1984) aff'd, 765 F.2d 966 (2d Cir. 1985). Digby has
9 failed to establish Defendants' revenues to a reasonable certainty.

10 Nor is it clear that Digby suffered any actual loss at all
11 from Defendants' trademark or copyright infringement. Apparently,
12 Defendants bid on 14,057 keywords with their AdWords accounts. See
13 Rosenfeld Decl. ¶ 22. The evidence shows that 14 (or 0.1%)
14 included the word "bandago." See id. Ex. 23. Of those 14 AdWords,
15 only three generated any clicks at all. Each of those three
16 keywords generated exactly one click. See id. Ex. 23. In other
17 words, Defendants' bids on infringing keywords from November 2008
18 to April 2009 resulted in a total of three visits to Defendants'
19 website. Even assuming all three visits were from different users,
20 that each would have rented from Bandago absent the advertisements,
21 and that each of those users proceeded to rent vans from Defendants
22 instead, Digby's actual damages attributable to the infringing
23 AdWords must have been vanishingly small.

24 With respect to Defendants' copyright infringement, Defendants
25 copied only a few paragraphs of text from the Bandago website.
26 That text was fairly generic, and tended to describe a
27 specialization in large vans for extended trips. See Rosenfeld
28 Decl. Exs. 52-53. The copied text invariably appeared at the very

1 bottom of a long page of non-infringing text describing Image's
2 passenger van rental options. Id. Neither Digby nor Defendants
3 sold the copyrighted material, so the only cognizable lost profits
4 attributable to copyright infringement are the proceeds from those
5 customers induced by the infringement to rent vans from Defendants
6 instead of Bandago. There is no evidence whatsoever indicating
7 that a single customer was swayed by the infringing text.⁷

8 Digby's motion for summary judgment is therefore DENIED with
9 respect to its claim for disgorgement of profits.

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26 ⁷ Digby mentions actual confusion only once in its moving papers.
27 It asserts, with no evidentiary basis, that it "received several
28 inquiries about the relationship between Plaintiff and Defendants."
Digby Mot. at 17.

1 **V. CONCLUSION**

2 For the reasons set forth above, Plaintiff Digby Adler Group,
3 LLC's motion for summary judgment is GRANTED in part and DENIED in
4 part. The motion is granted as to Digby's claims for copyright
5 infringement, trademark infringement, and cybersquatting against
6 Defendants Image Rent A Car, Inc., Van Rental Co., Inc., and
7 Schneior Zilberman. Digby's motion is DENIED with respect to
8 Defendant Gad Sebag's liability. Mr. Sebag's motion for summary
9 judgment is also DENIED. The Court finds that Digby is entitled to
10 \$25,000 in statutory damages, but that Digby's evidence is
11 insufficient to support summary judgment for disgorgement of
12 profits. Thus two issues remain in this case: (1) Mr. Sebag's
13 liability, both directly and as an alter ego, for the Corporate
14 Defendants' torts; and (2) the amount of actual damages to which
15 Digby is entitled (if any). The Court will refrain from entering
16 judgment in this matter until those remaining issues are fully
17 adjudicated.

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19
20 IT IS SO ORDERED.

21
22 Dated: February 6, 2015

23 
24 UNITED STATES DISTRICT JUDGE
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